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FISCAL IMPACT STATEMENT

LS 7399

BILL NUMBER: SB 437

NOTE PREPARED: Jan 5, 2007

BILL AMENDED:

SUBJECT: Cost-Effectiveness Analysis of State Agencies.

FIRST AUTHOR: Sen. Delph

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: *Sunset of State Agencies:* The bill provides procedures to evaluate and terminate all state agencies and programs on a ten-year cycle.

State Universities as Evaluating Entities: The bill requires the schools of public and environmental affairs or business schools of Indiana University, Purdue University, Ball State University, Indiana State University, and University of Southern Indiana to develop internship programs to give credit to students who perform the evaluation of state agencies and programs, and requires the universities to provide the evaluation service under the direction of the Legislative Services Agency.

Repeal: The bill repeals the current agency evaluation procedures.

Effective Date: Upon passage.

Explanation of State Expenditures: *State Impact:* The bill would have indeterminate, but potentially increased costs for legislative evaluation of state agencies resulting from several factors, including LSA supervision of universities evaluating state agencies; an increase in the number of agencies or programs reviewed each year; additional committee members on evaluation committees; and costs associated with termination or addition of state agencies. There are no data available to indicate if cost savings from efficiencies gained by sunset evaluation of state agencies would offset the costs of the evaluations.

State Universities as Evaluating Entities: Additionally, the bill would have increased cost to state universities to develop curricula for evaluation of state agencies for undergraduate and graduate students, to have courses submitted to the Commission on Higher Education, and to provide tenured faculty evaluation services. Costs

incurred by universities participating in evaluation programs include faculty not available to pursue grants from federal or private sources or the addition of faculty to provide courses or cover vacation or sabbatical time. Since the course of study or internships would be for credit, tuition may offset some of these faculty costs. The bill does not make an appropriation to the state universities for evaluation of state agencies.

New State Agencies: Also, under the bill, a proposal to create a new agency or program would require a cost-benefit analysis using United States Office of Management and Budget techniques and other techniques recommended by the Legislative Council, the committee, LSA, or a state university. The resources required to perform a cost-benefit analysis depend upon the expertise needed to develop cost information.

Background: Under the bill, the Legislative Council is to appoint a 16-member committee to review evaluations and make recommendations to the General Assembly concerning the continuation or termination of state agencies or programs, including authorities, boards, bureaus, commissions, committees, departments, divisions, or institutions. In addition, the committee is to direct LSA to oversee evaluations, designate the state university to conduct the evaluation, direct the evaluation, and perform other functions assigned by the Legislative Council. The Legislative Council is to direct the committee concerning the agency or agency programs they will evaluate, and the committee is to operate under the policies concerning study committees adopted by the Legislative Council.

Agencies and programs will be reviewed and terminated in a 10-year cycle. The table below shows the schedule for committee appointment, evaluation completion, and termination by major subject area.

Subject Area	Committee Appointment	Evaluation Completion	Termination
Education	July 1, 2007	April 1, 2008	June 30, 2009
Health and Human Services (FSSA)	July 1, 2008	April 1, 2009	June 30, 2010
Health and Human Services (Other than FSSA)	July 1, 2009	April 1, 2010	June 30, 2011
Indiana Department of Transportation	July 1, 2010	April 1, 2011	June 30, 2012
Public Safety (such as Correction, Police, Criminal Justice Institute, etc.)	July 1, 2011	April 1, 2012	June 30, 2013
Public Safety (such as Bureau of Motor Vehicles, Labor, Insurance, etc.)	July 1, 2012	April 1, 2013	June 30, 2014
Economic Development	July 1, 2013	April 1, 2014	June 30, 2015
Conservation and Environment	July 1, 2014	April 1, 2015	June 30, 2016
General Government	July 1, 2015	April 1, 2016	June 30, 2017

The evaluating agency (state university) is to use cost-benefit and cost-effectiveness analysis techniques used by the federal government, along with other tools recommended by the Legislative Council, the committee, LSA, or a participating university. The committee is to supervise both LSA and the state university preparing the evaluation.

The dean of each listed state university is to appoint a tenured faculty member to oversee the evaluation program and act as liaison between LSA and the school. Graduate and undergraduate students must have an opportunity to participate as unpaid interns, and the school must offer elective courses that allow students to receive college credit; receive sufficient education, counseling, and course work; and have access to computers and other equipment.

Background on Legislative Committees: Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$16,500 per interim for committees with 16 members or more.

Background on Current Evaluation Program: Under current law, the Legislative Evaluation and Oversight Policy Subcommittee (LEOPS) of the Legislative Council recommends a topic for evaluation. LSA prepares the evaluation, which is reviewed by a committee appointed by the Legislative Council to receive the report. The committee reviews the evaluation and may make recommendations to the General Assembly. The statute does not terminate the entity reviewed or require the committee to recommend its continuation.

Usually, one agency or program is reviewed each year in this process, but LSA has produced as many as four reports in one year when several smaller topics are assigned. LSA has one full-time staff working on evaluation, but other staff members assist as needed.

Background on Sunset Process in Other States: The National Conference of State Legislatures reported in 2001 that of about 45 states that had a sunset program in place at one time since Colorado began the process in 1976, about 16 states continue to have a sunset process today. Most programs use staff to perform evaluations (it appears that no state program uses state universities as the evaluating entity) and, on average, they produce between 5 and 15 reviews a year. According to a report from the Texas Sunset Advisory Commission, reports take from three to eight months to prepare, depending on the complexity of the agency.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State-funded universities; Legislative Council; Legislative Services Agency; state agencies and programs.

Local Agencies Affected:

Information Sources: Bob Boerner, National Conference of State Legislatures; "The Sunset Process: Still Effective After All These Years?" at www.ncsl.org/programs/nlpes/training/annmeet/annmt01/sunset01.htm; Guide to the Texas Sunset Process, Sunset Advisory Commission, January 2006.

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